

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6578

BILL NUMBER: HB 1078

DATE PREPARED: Dec 3, 2001

BILL AMENDED:

SUBJECT: Sliding Scale ICHIA Premium Payments.

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**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: This bill requires the Indiana Comprehensive Health Insurance Association (ICHIA) to develop a sliding scale to establish the percentage of premium payments made for an Association policy by an insured and by a third party. (The introduced version of this bill was prepared by the Health Finance Commission.)

Effective Date: July 1, 2002.

Explanation of State Expenditures: This bill would restrict the payment of premiums paid on behalf of ICHIA participants by third parties to some percentage of the total premium based on a sliding scale that is based on the participant's gross income. This could result in two possible situations.

The first situation is that with an effective increase in premium required of the ICHIA insured, some individuals may drop ICHIA coverage. This could potentially reduce program costs, and since the average cost per person in the ICHIA program is greater than their average premium payment, this could probably result in lower net program losses and, consequently, lower state and member expenditures. However, these freed up funds could then be used toward paying the premiums of other potential ICHIA enrollees resulting in no net change in program costs.

An alternative scenario is also possible and probably more likely. The principal funds involved in paying premiums for ICHIA insureds are for hemophilia, renal, and HIV/AIDS patients, which tend to be high-cost conditions. All programs have limited funding and currently have waiting lists. If the third-party funding per client is statutorily limited and there is a waiting list, sufficient funds could be freed up from this statutory restriction to enable additional individuals to participate in ICHIA. This would likely result in an increase in net program losses and additional expenditures to the state and to member companies.

Background: ICHIA is the high-risk insurance program offered by the state. ICHIA is funded through

premiums paid by individuals obtaining insurance through ICHIA, by assessments to member companies (insurers, health maintenance organizations, and others that provide health insurance or health care coverage in Indiana), and the state General Fund. To be eligible, Indiana residents must show evidence of: (1) denied insurance coverage or an exclusionary rider; (2) one or more of the "presumptive" conditions such as AIDS, Cystic Fibrosis, or Diabetes; (3) insurance coverage under a group, government, or church plan making the applicant eligible under the federal Health Insurance Portability and Accountability Act (HIPAA); or (4) exhausted continuation coverage (e.g., COBRA). Premium rates must be less than or equal to 150% of the average premium charged by the five largest individual market carriers.

The net losses of ICHIA (the excess of expenses over premium and other revenue) are made up by assessments on member insurance carriers. Members may, in turn, (1) take a credit against Premium Taxes, Gross Income Taxes, Adjusted Gross Income Taxes, Supplemental Corporate Net Income Taxes, or any combination of these taxes; or (2) include in the rates for premiums charged for their insurance policies amounts sufficient to recoup the assessments. The amount of assessments that are recouped by insurance carriers through tax credits or premium increases is not known at this time.

Explanation of State Revenues: See Explanation of State Expenditures, above, for the impact on state tax revenues from changes in the ICHIA program funding.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: ICHIA.

Local Agencies Affected:

Information Sources: